



**Molemole Municipality**

Molemole Local Municipality  
Financial statements  
for the year ended 30 June 2014

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## General Information

---

**Legal form of entity**

Local Government

**Nature of business and principal activities**

Performing the functions as set out in the Constitution (Act no 105 of 1996). Providing municipal services and maintaining the best interests of the local community mainly in the Mogwadi area.

**Mayoral committee**

Mayor

Councillors

Cllr MP Makgato

Cllr M.P. Paya

Cllr D. Pakgadi

Cllr A. Phihlela

Cllr R. Moseamo

Cllr D. Lehong

Cllr S. Senoamadi

Cllr M Maila

Cllr A. Moyo

Cllr B. Malebatja

Cllr E. Rahlana

Cllr M.E. Mphelo

Cllr N.W. Seakamela

Cllr M. Malema

Cllr M. Tawana

Cllr C. Matjee

Cllr N.E. Ramalepe

Cllr N.G. Makgalo

Cllr P. Mehala

Cllr J. Hlapa

Cllr A. Makgoka

Cllr M.P. Nkoana

Cllr M. Mapara

Cllr A. Mahlophe

Cllr Makgoka

**Grading of local authority**

Level 3 Local Municipality

**Chief Finance Officer (CFO)**

E.K. Moloko

**Municipal Manager**

N.I. Makhura

**Business address**

303 Church Street

Mogwadi

715

**Postal address**

Private Bag X44

Mogwadi

715

**Bankers**

Nedbank

**Auditors**

Office of the Auditor General (Limpopo)

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Index

---

The reports and statements set out below comprise the financial statements presented to the Molemole Council:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Appropriation Statement	11 - 10
Accounting Policies	11 - 25
Notes to the Financial Statements	26 - 50
Appendixes:	
Appendix A: Analysis of Property, Plant and Equipment	51
Appendix B: Segmental Analysis of Property, Plant and Equipment	52
Appendix C: Segmental Analysis of Statement of Financial Performance	53
Appendix D: Actual versus Budget (Revenue and Expenditure)	54
Appendix E: Actual versus Budget (Acquisition of Property, Plant and Equipment)	55
Appendix F: Contingent Liabilities	56 - 58
Appendix G: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	59

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Index

---

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Molemole Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Officer's Responsibilities and Approval**

---

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the director to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on page 5 to 47 , which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August 2014 and were signed on its behalf by:

---

**N.I. Makhura**  
**Accounting Officer**

# **Molemole Local Municipality**

Financial Statements for the year ended 30 June 2014

## **Accounting Officer's Report**

---

The Accounting Officer submits his report for the year ended 30 June 2014.

### **1. Going concern**

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 99 303 126 and that the municipality's total assets exceeds its liabilities by R 204 087 090.

The financial statements have been prepared on the basis of accounting the policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations of the municipality.

### **2. Subsequent events**

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### **3. Accounting policies**

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
Current Assets			
Inventory	7	329 537	288 523
Other Debtors	5	3 387 771	2 423 480
Receivables from exchange transactions	8	8 027 050	6 823 255
Receivables from non-exchange transactions	9	8 980 113	6 935 878
VAT receivable	10	2 670 847	2 485 787
Cash and cash equivalents	12	25 489 608	28 981 623
		<b>48 884 926</b>	<b>47 938 546</b>
Non-Current Assets			
Investment property	2	5 134 730	4 904 001
Property, plant and equipment	3	173 828 543	164 830 530
Intangible assets	4	351 130	382 604
		<b>179 314 403</b>	<b>170 117 135</b>
<b>Total Assets</b>		<b>228 199 329</b>	<b>218 055 681</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	15	376 198	260 469
Payables from exchange transactions	19	7 329 140	10 132 583
Consumer deposits	20	471 661	466 647
Unspent conditional grants and receipts	16	4 251 667	7 570 477
Other Current Liabilities	17	197 252	1 305 001
Current Employee Benefits	18	4 376 289	5 574 142
		<b>17 002 207</b>	<b>25 309 319</b>
Non-Current Liabilities			
Finance lease obligation	15	819 060	1 195 258
Employee benefit - Post Employment Health Benefit	6	4 966 713	3 822 077
Employee benefit - Long Service Bonus	6	1 324 259	1 266 532
		<b>7 110 032</b>	<b>6 283 867</b>
<b>Total Liabilities</b>		<b>24 112 239</b>	<b>31 593 186</b>
<b>Net Assets</b>		<b>204 087 090</b>	<b>186 462 495</b>
Reserves			
Revaluation reserve	13	36 841 347	38 989 774
Government grant reserve	14	67 942 617	67 942 617
Accumulated surplus		99 303 126	79 530 107
<b>Total Net Assets</b>		<b>204 087 090</b>	<b>186 462 498</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service Charges	23	6 927 963	6 582 565
Rental of Facilities and Equipment	32	417 810	119 055
Interest Earned - outstanding debtors		3 352 923	2 818 379
Interest Earned - external investment		481 419	707 303
Actuarial Gains		-	82 226
Fines		1 169 180	126 825
Commissions received		173 446	-
Licences and Permits		4 061 930	3 568 953
Gain on Disposal of PPE		-	260 466
Other income	25	1 789 011	2 226 185
<b>Total revenue from exchange transactions</b>		<b>18 373 682</b>	<b>16 491 957</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	9 399 061	9 535 774
<b>Transfer revenue</b>			
Government grants & subsidies	24	102 303 739	111 553 058
<b>Total revenue from non-exchange transactions</b>		<b>111 702 800</b>	<b>121 088 832</b>
<b>Total revenue</b>	21	<b>130 076 482</b>	<b>137 580 789</b>
<b>Expenditure</b>			
Employee related costs	27	(45 243 658)	(44 154 454)
Remuneration of councillors	28	(7 584 942)	(6 762 584)
Actuarial Losses	6	(475 787)	(199 689)
Depreciation and amortisation	30	(13 470 611)	(12 556 107)
Finance costs	31	(1 186 335)	(677 263)
Debt impairment	29	(10 470 453)	(13 101 593)
Repairs and maintenance		(1 914 509)	(1 409 991)
Bulk purchases	34	(6 007 940)	(5 804 480)
Contracted services	33	(3 513 482)	(3 219 288)
General Expenses	26	(21 938 774)	(18 846 001)
<b>Total expenditure</b>		<b>(111 806 491)</b>	<b>(106 731 450)</b>
<b>Operating surplus</b>		<b>18 269 991</b>	<b>30 849 339</b>
Loss on disposal of assets and liabilities		-	(370 242)
<b>Surplus for the year</b>		<b>18 269 991</b>	<b>30 479 097</b>



# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
<b>Balance at 01 July 2012</b>	<b>43 738 099</b>	<b>35 337 278</b>	<b>79 075 377</b>	<b>68 723 684</b>	<b>147 799 061</b>
Changes in net assets					
Correction of Error - Provision for Bad Debts	-	-	-	9 019 752	9 019 752
Correction of Error - Trade Debtors	-	-	-	(835 412)	(835 412)
Capital Additions from Government Grant Reserve	-	34 305 806	34 305 806	(34 305 806)	-
Disposal of Assets from Government Grant Reserve	-	(1 276 236)	(1 276 236)	1 276 236	-
Depreciation on Assets Disposals from Government Grant Reserve	-	785 204	785 204	(785 204)	-
Off-setting of Depreciation from Government Grant Reserve	-	(1 209 435)	(1 209 435)	1 209 435	-
Off-setting of Depreciation from Revaluation Reserve	(4 748 325)	-	(4 748 325)	4 748 325	-
Net income (losses) recognised directly in net assets	(4 748 325)	32 605 339	27 857 014	(19 672 674)	8 184 340
Surplus for the year	-	-	-	30 479 097	30 479 097
Total recognised income and expenses for the year	(4 748 325)	32 605 339	27 857 014	10 806 423	38 663 437
Total changes	(4 748 325)	32 605 339	27 857 014	10 806 423	38 663 437
<b>Balance at 01 July 2013</b>	<b>38 989 773</b>	<b>67 942 617</b>	<b>106 932 390</b>	<b>79 530 107</b>	<b>186 462 497</b>
Changes in net assets					
Correction of Error (refer to note 39)	-	-	-	1 503 028	1 503 028
Net income (losses) recognised directly in net assets	-	-	-	1 503 028	1 503 028
Surplus for the year	-	-	-	18 269 991	18 269 991
Total recognised income and expenses for the year	-	-	-	19 773 019	19 773 019
Revaluation of Buildings	(2 148 426)	-	(2 148 426)	-	(2 148 426)
Total changes	(2 148 426)	-	(2 148 426)	19 773 019	17 624 593
<b>Balance at 30 June 2014</b>	<b>36 841 347</b>	<b>67 942 617</b>	<b>104 783 964</b>	<b>99 303 126</b>	<b>204 087 090</b>
Note(s)	13	14			

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		2 211 662	11 071 739
Grants		105 843 852	104 213 000
Interest income		3 834 342	3 525 682
		<u>111 889 856</u>	<u>118 810 421</u>
<b>Payments</b>			
Suppliers		(89 054 300)	(78 467 706)
Finance costs		(1 186 336)	(677 263)
		<u>(90 240 636)</u>	<u>(79 144 969)</u>
<b>Net cash flows from operating activities</b>	35	<b>21 649 220</b>	<b>39 665 452</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(19 275 784)	(39 635 195)
Proceeds from sale of property, plant and equipment	3	(419 999)	943 196
Purchase of other intangible assets	4	-	(347 070)
<b>Net cash flows from investing activities</b>		<b>(19 695 783)</b>	<b>(40 231 321)</b>
<b>Cash flows from financing activities</b>			
Movement in other current liabilities		(1 107 767)	77 076
Prior Year Error		(4 082 230)	-
Movements in Deposits		5 014	-
Repayment of shareholders loan		-	(396 842)
Finance lease payments		(260 469)	-
<b>Net cash flows from financing activities</b>		<b>(5 445 452)</b>	<b>(319 766)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3 492 015)</b>	<b>(885 637)</b>
Cash and cash equivalents at the beginning of the year		28 981 623	29 867 260
<b>Cash and cash equivalents at the end of the year</b>	12	<b>25 489 608</b>	<b>28 981 623</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	11 001 093	-	11 001 093	6 927 963	(4 073 130)
Rental of facilities and equipment	173 410	117 168	290 578	417 810	127 232
Interest received (trading)	2 222 623	1 127 435	3 350 058	3 352 923	2 865
Licences and permits	4 005 580	-	4 005 580	4 061 930	56 350
Traffic Fines	1 610 595	(1 224 695)	385 900	1 169 180	783 280
Commissions received	3 125 742	-	3 125 742	173 446	(2 952 296)
Other income	841 313	3 545 630	4 386 943	1 789 011	(2 597 932)
Interest received - investment	644 673	-	644 673	481 419	(163 254)

<b>Total revenue from exchange transactions</b>	<b>23 625 029</b>	<b>3 565 538</b>	<b>27 190 567</b>	<b>18 373 682</b>	<b>(8 816 885)</b>
---	-------------------	------------------	-------------------	-------------------	--------------------

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	7 858 467	-	7 858 467	9 399 061	1 540 594
Government grants & subsidies	116 102 000	1 201 174	117 303 174	102 303 739	(14 999 435)

<b>Total revenue from non-exchange transactions</b>	<b>123 960 467</b>	<b>1 201 174</b>	<b>125 161 641</b>	<b>111 702 800</b>	<b>(13 458 841)</b>
---	--------------------	------------------	--------------------	--------------------	---------------------

<b>Total revenue</b>	<b>147 585 496</b>	<b>4 766 712</b>	<b>152 352 208</b>	<b>130 076 482</b>	<b>(22 275 726)</b>
----------------------	--------------------	------------------	--------------------	--------------------	---------------------

#### Expenditure

Personnel	(54 183 626)	(614 379)	(54 798 005)	(45 243 658)	9 554 347
Remuneration of councillors	(7 377 854)	(368 893)	(7 746 747)	(7 584 942)	161 805
Actuarial Losses	(122 825)	122 825	-	(475 787)	(475 787)
Depreciation and amortisation	(3 600 000)	-	(3 600 000)	(13 470 611)	(9 870 611)
Finance costs	(50 000)	23 000	(27 000)	(1 186 335)	(1 159 335)
Debt impairment	(2 540 704)	-	(2 540 704)	(10 470 453)	(7 929 749)
Repairs and maintenance	(6 138 135)	1 350 519	(4 787 616)	(1 914 509)	2 873 107
Bulk purchases	(7 885 750)	1 590 058	(6 295 692)	(6 007 940)	287 752
Contracted Services	(3 540 000)	-	(3 540 000)	(3 513 482)	26 518
General Expenses	(21 549 617)	(5 975 343)	(27 524 960)	(21 938 774)	5 586 186

<b>Total expenditure</b>	<b>(106 988 511)</b>	<b>(3 872 213)</b>	<b>(110 860 724)</b>	<b>(111 806 491)</b>	<b>(945 767)</b>
--------------------------	----------------------	--------------------	----------------------	----------------------	------------------

<b>Surplus before taxation</b>	<b>40 596 985</b>	<b>894 499</b>	<b>41 491 484</b>	<b>18 269 991</b>	<b>(23 221 493)</b>
--------------------------------	-------------------	----------------	-------------------	-------------------	---------------------

<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>40 596 985</b>	<b>894 499</b>	<b>41 491 484</b>	<b>18 269 991</b>	<b>(23 221 493)</b>
--	-------------------	----------------	-------------------	-------------------	---------------------

#### Reconciliation

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.4 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been adopted early by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

Nature of impending changes in accounting policy:

- None.

Impact on the municipality's financial statements once implemented:

- None.

#### 1.5 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may be undertaken in the future, actual results ultimately may differ from these estimates.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.6 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that forms part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets that forms part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that forms part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant relating to biological assets that forms part of an agricultural activity measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets that forms part of an agricultural activity where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

Item	Useful life
Grazing	indefinite

Biological assets are derecognised when they are disposed of or when there is no more economic benefit expected from the use of the assets. The gain or loss arising from the disposal or retirement of a biological asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. However, where an investment property was acquired through a non-exchange transaction (i.e. where municipality acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.7 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use.

For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.8 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings which are carried at a revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Municipal Buildings	30 years
Infrastructure	
• Tarred Roads	30 years
• Paving On Car Ports	30 years
• Electricity	45 years
• Single Fase Meters 97/98	20 years
• Water	20 years
• Sewerage	20 years
Community	
• Recreational Facilities	20 years
• Tennis courts	30 years
• Swimming Pool And Pumps	5 years
• Security	20 years
• Palisade Fence	7 years
• Construction Of Guard Room	30 years
• Parks and gardens	30 years
Other property, plant and equipment	
• Gates And Fencing	5 years
• Other vehicles	5 years
• Specialised Vehicles	10 years
• Computer Plotter	10 years
• Office equipment	5 years
• Furniture and fittings	7 years
• Bins and containers	2 years
• Other items of plant and equipment	10 years
• Landfill sites	30 years
• Computer equipment	3 years

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.8 Property, plant and equipment (continued)

#### Finance Lease Assets

- Office equipment 5 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from the sale of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.9 Intangible assets

#### Initial Recognition

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.



# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.9 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.10 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Financial instruments (continued)

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the entity's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the entity's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### Trade Payables and Borrowings

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.10 Financial instruments (continued)

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Statement of Financial Performance.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.11 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### 1.12 Inventory

Inventory are initially measured at cost except where inventory are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventory are measured at the lower of cost and net realisable value.

Inventory are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

The cost of inventory of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventory is assigned using the formula. The same cost formula is used for all inventory having a similar nature and use to the municipality.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.12 Inventory (continued)

When inventory are sold, the carrying amounts of those inventory are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventory to net realisable value or current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

#### Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent inventories are measured at the lower of cost and net realisable value.

Inventories comprise current assets held for sale or for consumption during the ordinary course of business and are measured at the lower of cost and current replacement cost where they are held for;

- a) distribution at no charge or for a nominal charge; or
- b) consumption in the production process of goods to be distributed at no charge or for a nominal charge

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis for allocating cost to inventory items is the first in first out (FIFO) method.

### 1.13 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.14 Employee benefits

#### Post Retirement Medical Obligation

---

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.14 Employee benefits (continued)

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

Council pays 70% of the contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the relevant employee. Accumulated leave is carried forward and can be used in future periods if the current employee's period's entitlement is not used in full. An employee's accumulated leave cannot exceed 48 days. Any days in excess thereof is forfeited. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

### Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on the bonus accrued at year end for each employee.

### Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, contract workers and other senior managers, is recognised as it accrues. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends. This bonus is not guaranteed.

### 1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.15 Revenue from exchange transactions (continued)

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 1.16 Revenue from non-exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

### 1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, unless if it is recoverable (i.e. receivable), it will be raised as an asset in the Statement of Financial Position. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure will be de-recognised as soon as the nature of the fruitless and wasteful expenditure has been submitted to Council and a formal Council decision has been taken to condone the expenditure.

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.21 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.22 Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Accounting Policies

---

### 1.23 Impairment of Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 2. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 194 001	(59 271)	5 134 730	5 034 000	(129 999)	4 904 001

#### Reconciliation of investment property - 2014

	Opening balance	Additions	Depreciation	Total
Investment property	4 904 001	290 000	(59 271)	5 134 730
	<b>4 904 001</b>	<b>290 000</b>	<b>(59 271)</b>	<b>5 134 730</b>

#### Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	5 034 000	(129 999)	4 904 001
	<b>5 034 000</b>	<b>(129 999)</b>	<b>4 904 001</b>

Molemole Local Municipality received a donation in the form of land from Capricorn District Municipality in the 2012 financial year. The land was received at market value. Molemole Local Municipality has not yet determined the use for which the land would be put.

There was no rental income accrued for received or expenses incurred in respect of the holding of the donated land by Molemole Local Municipality.

Molemole Local Municipality previously only accounted for the land of the clinic and now the building has been recognized.

Rental income and operating expenditure relating to investment property was identified as not being material. As such these amounts have not been separately disclosed.

### 3. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	12 295 590	-	12 295 590	12 283 390	-	12 283 390
Buildings	14 107 689	(4 371 213)	9 736 476	15 845 637	(1 521 081)	14 324 556
Infrastructure	125 870 092	(18 849 716)	107 020 376	109 987 053	(10 073 398)	99 913 655
Community	30 886 162	(1 646 726)	29 239 436	27 314 224	(2 611 392)	24 702 832
Other property, plant and equipment	23 225 159	(8 950 716)	14 274 443	19 893 681	(7 720 503)	12 173 178
Other leased Assets	1 706 970	(444 748)	1 262 222	1 706 970	(274 051)	1 432 919
<b>Total</b>	<b>208 091 662</b>	<b>(34 263 119)</b>	<b>173 828 543</b>	<b>187 030 955</b>	<b>(22 200 425)</b>	<b>164 830 530</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Under Construction	Revaluations	Depreciation	Total
Land	12 283 390	97 777	-	-	-	12 295 590
Buildings	14 324 556	52 193	363 708	(2 160 626)	(2 354 046)	9 736 476
Infrastructure	99 913 655	790 097	15 234 105	-	(18 849 717)	107 020 376
Community	24 702 832	771 980	1 339 131	-	(3 372 470)	29 239 436
Other property, plant and equipment	12 173 178	5 438 990	396 000	-	(10 447 709)	14 274 443
Other leased Assets	1 432 919	-	-	-	(587 823)	1 262 222
	<b>164 830 530</b>	<b>7 151 037</b>	<b>17 332 944</b>	<b>(2 160 626)</b>	<b>(35 611 765)</b>	<b>173 828 543</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	12 283 390	-	-	-	-	12 283 390
Buildings	14 463 701	385 672	-	(1 527 897)	-	14 324 556
Infrastructure	78 121 419	30 875 416	-	(9 932 236)	-	99 913 655
Community	20 492 162	4 803 338	-	(2 600 803)	-	24 702 832
Other property, plant and equipment	11 645 424	3 570 770	(2 246 754)	(9 168 994)	1 303 557	12 173 178
Other leased Assets	1 603 617	-	-	(274 051)	-	1 432 919
	<b>138 609 713</b>	<b>39 635 196</b>	<b>(2 246 754)</b>	<b>(23 503 981)</b>	<b>1 303 557</b>	<b>164 830 530</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	569 365	(218 235)	351 130	429 225	(46 621)	382 604

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	382 604	186 761	(218 235)	351 130
	<b>382 604</b>	<b>186 761</b>	<b>(218 235)</b>	<b>351 130</b>

#### Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	429 225	(46 621)	382 604
	<b>429 225</b>	<b>(46 621)</b>	<b>382 604</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 5. Other Debtors

**Other Debtors consists of the following:**

Sundry Debtors	2 658 512	2 026 638
CDM Water Debtor	715 848	-
Loans to Directors, managers and employees	13 411	396 842
	<b>3 387 771</b>	<b>2 423 480</b>

### 6. Employee benefit obligations

**Post-employment Health Care Benefits**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Discovery;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2014 is estimated at R5 025 489. The Current-service Cost for the year ending 30 June 2014 is estimated at R369 153. It is estimated to be R481 931 for the ensuing year.

Key actuarial assumptions used:

**Rate of Interest**

Discount Rate	9,32%	9,30%
Health Care Cost	8,46%	8,07%
Net Effective Discount Rate	0,80%	1,13%

The amounts recognised in the Statement of Financial Position are as follows:

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 6. Employee benefit obligations (continued)

#### Present Value of fund obligations

Opening Balance	5 025 489	3 889 553
<b>Total Liability</b>	<b>5 025 489</b>	<b>3 889 553</b>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3 889 553	3 195 514
Total expenses	660 149	494 350
Current service cost	369 153	295 167
Interest cost	358 472	259 591
Benefits paid	(67 476)	(60 408)
Actuarial Losses	475 787	199 689
Present value of fund obligation at the beginning of the year	5 025 489	3 889 553
Less: Transfer of Current Portion	(58 776)	(67 476)
<b>Balance 30 June</b>	<b>4 966 713</b>	<b>3 822 077</b>

#### Long Service Bonus

The Long Service Bonus plans are defined benefit plans. As at year end, 146 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2014 is estimated at R 1 508 297. The Current-service Cost for the year ending 30 June 2014 is estimated at R177 786. It is estimated to be R187 196 for the ensuing year.

Key actuarial assumptions used:

#### Rate of interest

Discount rate	8,08%	7,51%
General Salary Inflation (long-term)	7,17%	6,82%
Net Effective Discount Rate applied to Long Service Bonusses	0,85%	0,64%

The amounts recognised in the Statement of Financial Position are as follows:

#### Present Value of fund obligation

Balance	1 508 297	1 334 404
<b>Net liability / (asset)</b>	<b>1 508 297</b>	<b>1 334 404</b>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 334 404	1 228 193
Total expenses	207 582	188 437
Current service cost	177 786	205 655
Interest cost	97 668	78 685
Benefits Paid	(67 872)	(95 903)
Actuarial (gains)/losses	(33 689)	(82 226)
Present value of fund obligation at the end of the year	1 508 297	1 334 404
Less: Transfer of Current Portion	(184 038)	(67 872)
<b>Balance 30 June</b>	<b>1 324 259</b>	<b>1 266 532</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>7. Inventory</b>		
Consumable Stores - Stationery and materials - At cost	329 537	288 523
<b>Total Inventory</b>	<b>329 537</b>	<b>288 523</b>
No inventory assets were pledged as security for liabilities.		
<b>8. Receivables from exchange transactions</b>		
Trade debtors	8 027 050	6 823 255
Included in the outstanding balances are consumer debtors to the value of R6 059 546.54 (2009: R5 981 354), who have made arrangements to repay their outstanding debt over a re-negotiated period.		
<b>Service Receivables</b>		
Electricity	6 525 833	5 332 825
Refuse	5 705 639	3 869 050
Less: Allowance for Doubtful Debts	(8 765 582)	(6 526 135)
	<b>3 465 890</b>	<b>2 675 740</b>
<b>Other Receivables</b>		
Other arrears	16 096 793	14 263 306
Less: Allowance for Doubtful Debts	(11 535 632)	(10 115 792)
	<b>4 561 161</b>	<b>4 147 514</b>
<b>Total Net Trade Debtors from Exchange Transactions</b>		
Service Receivables	3 465 890	2 675 740
Other Receivables	4 561 161	4 147 514
	<b>8 027 051</b>	<b>6 823 254</b>
<b>Electricity: Ageing</b>		
Current (0 - 30 days)	194 216	307 727
31 - 60 Days	123 023	146 921
61 - 90 Days	105 688	145 485
+90 Days	6 102 906	4 732 692
<b>Total</b>	<b>6 525 833</b>	<b>5 332 825</b>
<b>Refuse: Ageing</b>		
Current (0 - 30 days)	127 771	223 261
31 - 60 Days	119 774	106 594
61 - 90 Days	118 473	105 551
+90 Days	5 339 621	3 433 644
<b>Total</b>	<b>5 705 639</b>	<b>3 869 050</b>
<b>Other Debtors: Ageing</b>		
Current (0 - 30 days)	316 811	265 455
31 - 60 Days	309 593	259 991
61 - 90 Days	303 874	254 184
+90 Days	15 166 515	13 483 676
<b>Total</b>	<b>16 096 793</b>	<b>14 263 306</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 9. Receivables from non-exchange transactions

Trade Debtors - Property Rates	8 980 113	6 935 878
<b>Property Rates Receivables</b>		
Taxes - Rates	31 691 715	23 852 496
Less: Allowance for Doubtful Debts	(22 711 602)	(16 916 618)
	<b>8 980 113</b>	<b>6 935 878</b>

Ageing of Receivables from Non-Exchange Transactions

#### Rates: Ageing

Current (0 -30 days)	766 216	1 376 393
31 - 60 Days	741 662	657 144
61 - 90 Days	835 370	650 719
+90 Days	29 348 468	21 168 240
<b>Total</b>	<b>31 691 716</b>	<b>23 852 496</b>

Debts are required to be settled after 30 days, interest is charged after this date at 15%. The fair value of trade and other receivables approximates their carrying amounts.

### 10. VAT receivable

VAT	2 670 847	2 485 787
<b>Total VAT Receivable</b>	<b>2 670 847</b>	<b>2 485 787</b>

VAT is claimable on the invoice basis. VAT is claimed from SARS once an invoice has been received from creditors.

### 11. Consumer debtors

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash Floats	656	3 057
Bank balances	429 268	2 067 251
Call Investment Deposits	25 059 684	26 911 315
<b>Total Cash and Cash Equivalents - Assets</b>	<b>25 489 608</b>	<b>28 981 623</b>



# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Nedbank - Primary Account - 146 700 0442	4 155 362	4 930 619	5 168 000	429 268	2 067 251	1 108 063
Nedbank - Primary Account - 101 399 4825	16 087 417	6 324 551	18 452 984	16 087 337	6 324 551	18 452 984
Nedbank - Call Investment Deposit - 03/7411508977/000001	8 972 348	5 586 764	10 053 154	8 972 348	5 586 764	10 053 154
Nedbank - Call Investment Deposit - 03/7411508977/000011	-	5 000 000	-	-	5 000 000	-
Nedbank - Call Investment Deposit - 03/7411508977/000010	-	10 000 000	-	-	10 000 000	-
<b>Total</b>	<b>29 215 127</b>	<b>31 841 934</b>	<b>33 674 138</b>	<b>25 488 953</b>	<b>28 978 566</b>	<b>29 614 201</b>

### 13. Revaluation reserve

Opening balance	38 989 774	43 738 099
Change during the year	(2 148 427)	(4 748 325)
	<b>36 841 347</b>	<b>38 989 774</b>

### 14. Government grant reserve

Opening Balance	67 942 617	35 337 278
Capital Additions from Government Grant Reserve	-	34 305 806
Disposal of Assets from government Grant Reserve	-	(1 276 236)
Depreciation on assets disposals from Government Grant Reserve	-	785 204
Off-setting of depreciation from Government Grant Reserve	-	(1 209 435)
	<b>67 942 617</b>	<b>67 942 617</b>

### 15. Finance lease obligation

#### Minimum lease payments due

- within one year	376 198	260 469
- in second to fifth year inclusive	819 060	1 195 258
	<b>1 195 258</b>	<b>1 455 727</b>
less: future finance charges	(376 198)	(260 469)
<b>Present value of minimum lease payments</b>	<b>819 060</b>	<b>1 195 258</b>

Non-current liabilities	819 060	1 195 258
Current liabilities	376 198	260 469
	<b>1 195 258</b>	<b>1 455 727</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest Rate	Annual Escalation	Lease Term	Maturity Date
Datamaster Office Automation	Photocopy machine	9,50%	8%	5 Years	30-11-2016
Datamaster Office Automation	Photocopy machine	9,50%	8%	5 Years	30-11-2016

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	879 351	2 939 535
Finance Management Grant	316 852	179 502
Municipal System Improvement Grant	482 113	252 339
CDM - Taxi Rank	901 576	1 458 947
CDM - Stadium	53 987	800 000
CDM - Mogwadi Community Hall	50 000	-
Expanded Public Works Program	469 383	618 033
CDM Operational and Maintenance (Water)	1 098 405	1 322 121
	<b>4 251 667</b>	<b>7 570 477</b>

#### Movement during the year

Balance at the beginning of the year	7 570 477	17 047 802
Additions during the year	100 369 000	30 216 000
Conditions met - Operating	(82 906 693)	(2 322 371)
Conditions met - Capital	(19 620 761)	(34 674 857)
Other operating expenditure	-	(1 787 145)
Adjustments	(1 160 356)	(908 952)
	<b>4 251 667</b>	<b>7 570 477</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

### 17. Other Current Liabilities

Stale cheques control account	20 421	23 467
Salary Control Account	-	927 605
Receipts reversal	-	103 137
Traffic Income	70 140	147 434
Traffic Insurance claim	-	50 696
Loans redeemed and advance repaid	47 515	47 515
Free Basic Water Diesel	2 559	2 559
Debt Collectors Commission	-	2 588
Prior Year Roll Over	56 617	-
	<b>197 252</b>	<b>1 305 001</b>

### 18. Current Employee Benefits

Current Portion of Post Retirement Healthcare Benefits	58 776	67 476
Current Portion of Long-Service Provisions	184 038	67 872
Staff Leave	4 133 474	5 438 794
<b>Total Current Employee Benefits</b>	<b>4 376 288</b>	<b>5 574 142</b>

The movement in current employee benefits are reconciled as follows:

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>18. Current Employee Benefits (continued)</b>		
<b>Provision for Staff Leave</b>		
Balance at beginning of year	5 438 793	3 979 492
Contribution to current portion	(1 305 319)	1 901 209
Expenditure incurred	-	(441 908)
<b>Balance at end of year</b>	<b>4 133 474</b>	<b>5 438 793</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

### 19. Payables from exchange transactions

Trade payables	4 771 041	5 072 975
Retention Creditor	1 198 520	4 338 301
Department of Transport	632 391	719 288
Salary Accruals	727 188	2 019
	<b>7 329 140</b>	<b>10 132 583</b>

### 20. Consumer deposits

Electricity	471 661	466 647
<b>Total Consumer Deposits</b>	<b>471 661</b>	<b>466 647</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

### 21. Revenue

Sale of goods	-	260 466
Service charges	6 927 963	6 582 565
Rental of facilities and equipment	417 810	119 055
Interest received (trading)	3 352 923	2 818 379
Licences and permits	4 061 930	3 568 953
Miscellaneous other revenue	1 169 180	126 825
Commissions received	173 446	-
Acturial Gains	-	82 226
Other Income	1 789 011	2 226 185
Interest received - investment	481 419	707 303
Property rates	9 399 061	9 535 774
Government grants & subsidies	102 303 739	111 553 058
	<b>130 076 482</b>	<b>137 580 789</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Sale of goods	-	260 466
Service charges	6 927 963	6 582 565
Rental of facilities and equipment	417 810	119 055
Interest received (trading)	3 352 923	2 818 379
Licences and permits	4 061 930	3 568 953
Traffic Fines	1 169 180	126 825
Commissions received	173 446	-
Acturial Gains	-	82 226
Other Income	1 789 011	2 226 185
Interest received - investment	481 419	707 303
	<b>18 373 682</b>	<b>16 491 957</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 21. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	9 399 061	9 535 774
----------------	-----------	-----------

#### Transfer revenue

Government grants & subsidies	102 303 739	111 553 058
-------------------------------	-------------	-------------

<b>111 702 800</b>	<b>121 088 832</b>
--------------------	--------------------

### 22. Property rates

#### Rates received

Property rates	9 399 061	9 535 774
----------------	-----------	-----------

### 23. Service charges

Electricity	5 550 086	5 015 439
-------------	-----------	-----------

Refuse removal	1 377 877	1 299 594
----------------	-----------	-----------

Sewerage and Sanitation Charges	-	267 532
---------------------------------	---	---------

<b>6 927 963</b>	<b>6 582 565</b>
------------------	------------------

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 24. Government grants and subsidies

#### Operating grants

Equitable share	80 478 000	74 498 000
Finance Management Grant	1 412 649	1 472 231
Municipal System Improvement Grant	660 227	547 661
CDM - Mogwadi Community Hall	1 303 384	150 000
Expanded Public Works Program	1 148 650	439 797
	<b>85 002 910</b>	<b>77 107 689</b>

#### Capital grants

Municipal Infrastructure Grant	17 300 829	34 445 369
	<b>17 300 829</b>	<b>34 445 369</b>
	<b>102 303 739</b>	<b>111 553 058</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	21 825 739	37 055 058
Unconditional grants received	80 478 000	74 498 000
	<b>102 303 739</b>	<b>111 553 058</b>

The municipality does not expect any significant changes to the level of grants.

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basis services for the geographical area concerned.

See Appendix F and note 16 for a reconciliation of all grants.

#### Equitable Share

Balance unspent at beginning of year	-	-
Current-year receipts	80 478 000	74 498 000
Conditions met - Operating	(80 478 000)	(74 498 000)
Conditions met - Capital	-	-
<b>Conditions still to be met</b>	<b>-</b>	<b>-</b>

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	2 939 535	12 813 255
Current-year receipts	16 401 000	23 916 000
Conditions met - Operating	(742 433)	(981 920)
Conditions met - Capital	(16 558 396)	(33 463 449)
Adjustments	(1 160 355)	655 649
<b>Conditions still to be met</b>	<b>879 351</b>	<b>2 939 535</b>

Conditions still to be met - remain liabilities (see note 16).

Municipal Infrastructure Grant received with conditions to be met.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>24. Government grants and subsidies (continued)</b>		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	179 502	335 113
Current-year receipts	1 550 000	1 500 000
Conditions met - Operating	(1 020 818)	(892 643)
Conditions met - Capital	(391 832)	(579 588)
Adjustments	-	(183 380)
<b>Conditions still to be met</b>	<b>316 852</b>	<b>179 502</b>
Conditions still to be met - remain liabilities (see note 16).		
Finance Management Grant received with conditions to be met.		
<b>Municipal System Improvement Grant</b>		
Balance unspent at beginning of year	252 339	308 496
Current-year receipts	890 000	800 000
Conditions met - Operating	(441 726)	(447 808)
Conditions met - Capital	(218 500)	(99 853)
Adjustments	-	(308 496)
<b>Conditions still to be met</b>	<b>482 113</b>	<b>252 339</b>
Conditions still to be met - remain liabilities (see note 16).		
Municipal System Improvement Grant received with conditions to be met.		
<b>CDM - Taxi Rank</b>		
Balance unspent at beginning of year	1 458 947	1 458 947
Current-year receipts	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(557 371)	-
Adjustments	-	-
<b>Conditions still to be met</b>	<b>901 576</b>	<b>1 458 947</b>
Conditions still to be met - remain liabilities (see note 16).		
CDM - Taxi Rank grant received with conditions to be met.		
<b>CDM - Stadium</b>		
Balance unspent at beginning of year	800 000	500 000
Current-year receipts	-	300 000
Conditions met - Operating	-	-
Conditions met - Capital	(746 013)	-
Adjustments	-	-
<b>Conditions still to be met</b>	<b>53 987</b>	<b>800 000</b>
Conditions still to be met - remain liabilities (see note 16).		
CDM - Stadium grant received with conditions to be met.		
<b>CDM - Mogwadi Community Hall</b>		
Balance unspent at beginning of year	-	150 000
Current-year receipts	50 000	-

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>24. Government grants and subsidies (continued)</b>		
Conditions met - Operating	-	-
Conditions met - Capital	-	(150 000)
Adjustments	-	-
<b>Conditions still to be met</b>	<b>50 000</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 16).		
CDM - Mogwadi Community Hall grant received with conditions to be met.		
<b>CDM - Local Economic Development</b>		
Balance unspent at beginning of year	-	271 306
Current-year receipts	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Adjustments	-	(271 306)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
CDM - Local Economic Development grant received with conditions to be met.		
<b>COGHSTA - RDP Houses</b>		
Balance unspent at beginning of year	-	294 617
Current-year receipts	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Adjustments	-	(294 617)
<b>Conditions still to be met</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 16).		
COGHSTA -RDP Houses grant received with conditions to be met.		
<b>INEG</b>		
Balance unspent at beginning of year	-	506 802
Current-year receipts	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Adjustments	-	(506 802)
<b>Conditions still to be met</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 16).		
INEG received with conditions to be met.		
<b>Expanded Public Works Program</b>		
Balance unspent at beginning of year	618 033	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	-	-
Conditions met - Capital	(1 148 650)	(381 967)
Other	-	-
<b>Conditions still to be met</b>	<b>469 383</b>	<b>618 033</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

Expanded Public Works Program received with conditions to be met.

#### CDM Operational and Maintenance (Water)

Balance unspent at beginning of year	1 322 121	409 266
Current-year receipts	-	2 700 000
Conditions met - Operating	(223 716)	-
Conditions met - Capital	-	-
Other operating expenditure	-	(1 787 145)
<b>Conditions still to be met</b>	<b>1 098 405</b>	<b>1 322 121</b>

Conditions still to be met - remain liabilities (see note 16).

CDM Operational and Maintenance (Water) received with conditions to be met.

### 25. Other income

Books Lost	373	223
Building Plan Fees	17 982	7 861
Clearance Certificates	6 906	5 480
Commission/Water	1 003 130	684 263
Debt Recovery - Councillors	-	76 354
Grave Fees	7 102	5 484
Insurance Income Received	6 999	207 866
New Connections	32 660	34 681
Penalties	51	264
Provision For Sale Of Assets	526 316	-
Re-Connections	14 207	23 806
Sale Of Stands	-	20 100
Sale Of Pre-paid Meters	11 012	13 068
Surplus Cash	200	1 072 725
Tender Documents	49 516	70 662
Town Planning Fees	19 504	3 348
Other income	93 053	-
	<b>1 789 011</b>	<b>2 226 185</b>



# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>26. General expenses</b>		
Accommodation and Meals	490 092	390 820
Accommodation and Meals : FMG	176 576	164 290
Advertising	97 913	106 937
Advertising : Recruitment	70 861	41 884
Affiliation & Membership Fees : SALGA	502 180	400 000
Audit Committees Expenses	197 799	359 999
Audit Fees - External	2 894 052	2 332 966
Bank charges	238 316	250 595
Bill: Municipal Electricity	220 039	71 461
Bill: Municipal Water	82 544	291 758
Cash Management Services	115 056	78 847
Career Exhibition	88 957	-
Cleaning Materials	119 758	166 806
Commission Paid	20 721	303 165
Consultancy Fees	1 110 946	720 442
Departmental: Electricity	10 734	278 787
Departmental: Water	13 862	155 459
EAP	400	-
Employee Loan/Bursary Scheme	15 121	320 904
Environmental & Waste Management Initiative	58 418	-
Financial Management Support: FMG	191 458	-
Free Basic Electricity	2 105 065	1 783 391
Free Basic Water	341 688	181 921
Fuel and Oil: Municipal Fleet	1 134 083	941 969
Fuel and Oil: Other	46 350	58 113
GIS System	2 415	-
HR Management Strategy	123 527	236 800
Infrastructure Masterplan	-	1 290 080
Insurance - General	802 443	581 293
ITC Wireless Solutions	-	72 314
LED Support Fund	32 026	-
Legal Expenses	3 760 633	1 343 651
Licences - Vehicles	55 022	85 730
Marketing	197 450	-
Mandela Day	58 117	72 082
Mapping	-	55 000
Mayoral Bursary	250 000	225 508
Membership Fees	2 638	2 300
Plant Hire	18 191	58 010
Postage and Telephone	222 486	399 748
Printing and stationery	-	3 150
Printing, Publication & Marketing	134 790	154 491
Promotions and sponsorships	4 000	-
Protective clothing	92 982	377 299
Public Participation	669 408	535 751
Rental Building	33 600	33 600
Rental Office Machines : Usage	137 794	23 639
SMME's & Cooperative Support and Coordination	48 500	-
Special Focus - Woman	302 625	93 359
Special Focus - Youth	306	80 103
Stationery	517 884	418 505
Strategic Planning Expenditure	65 881	123 474
Subscriptions and Systems Licencing	72 995	241 500
Subsistence and Travelling - Other	53 766	65 938
Telephone Management System	356 178	157 337
Tracking Device System	87 032	75 794
Traffic Expenses	-	101
Training and Conferences	219 051	340 696
Training and Education : FMG	312 793	145 005

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>26. General expenses (continued)</b>		
Transport and freight	118 723	-
Unbundling of Infrastructure Assets	-	232 544
Valuation Roll Costs	255 844	844 792
Virtual Private Network	57 367	-
Ward Committee Expenses	1 657 297	576 500
Ward Committee Expenses: MSIG	-	210 000
Other expenses	872 021	289 393
	<b>21 938 774</b>	<b>18 846 001</b>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees and auditing fees.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>27. Employee related costs</b>		
Basic Salaries	29 318 212	26 487 265
Annual Bonus	2 022 580	1 929 172
Housing Subsidy	129 581	158 209
Subsistence and Travel Claim	1 258 925	1 045 667
Overtime payments	421 900	348 355
Telephone/Cellphone Allowance	686 689	726 846
Temporary Salaries	-	16 055
Acting allowances	403 484	243 569
Leave pay provision charge	(796 480)	1 901 210
Standby Allowance	154 906	137 798
Travelling/Vehicle Allowance	2 698 923	2 537 685
Long-service awards	98 746	95 903
Clothing Allowance	6 000	6 000
Industrial/Bargaining Council	11 506	11 073
Unemployment Insurance Fund	219 929	209 411
Medical aid - company contributions	1 786 365	1 574 050
Pension Funds	4 823 831	4 468 172
Other Allowances & Benefits	-	344 511
Skills Development Levy	417 679	384 554
Interns Salaries: FMG	487 903	544 814
Danger Allowance	26 000	23 500
PMU - MIG Salaries	743 341	960 635
Laptop Allowance	323 638	-
	<b>45 243 658</b>	<b>44 154 454</b>

Municipal Manger is appointed on a 5-year fixed contract and the Director Community Services, Director Corporate Services and Director Finance on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

### Remuneration of municipal manager

Annual Remuneration	994 714	1 113 833
Performance Bonuses	-	33 169
Travel, motor car, accommodation, subsistence and other allowances	262 592	255 385
Settlement	1 307 953	-
	<b>2 565 259</b>	<b>1 402 387</b>

### Remuneration of Director Financial Services

Annual Remuneration	861 969	746 357
Travel, motor car, accommodation, subsistence and other allowances	369 607	293 406
	<b>1 231 576</b>	<b>1 039 763</b>

### Remuneration of Director Technical Services

Annual Remuneration	677 686	734 130
Travel, motor car, accommodation, subsistence and other allowances	297 557	160 000
	<b>975 243</b>	<b>894 130</b>

### Remuneration of Director Corporate Services

Annual Remuneration	742 835	740 843
Performance Bonuses	61 047	60 000
Travel, motor car, accommodation, subsistence and other allowances	413 479	112 000
	<b>1 217 361</b>	<b>912 843</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of the Director Community Services</b>		
Annual Remuneration	733 529	744 284
Performance Bonuses	56 631	61 846
Travel, motor car, accommodation, subsistence and other allowances	187 581	88 000
	<b>977 741</b>	<b>894 130</b>
<b>Remuneration of the Manager Local Economic Development</b>		
Annual Remuneration	790 204	734 130
Travel, motor car, accommodation, subsistence and other allowances	288 553	160 000
	<b>1 078 757</b>	<b>894 130</b>
<b>28. Remuneration of councillors</b>		
Executive Major	730 102	630 735
Chief Whip	577 769	477 761
Mayoral Committee Members	1 481 829	1 320 775
Speaker	668 862	508 356
Councillors	4 126 380	3 824 957
	<b>7 584 942</b>	<b>6 762 584</b>
<b>29. Debt impairment</b>		
Debt impairment	10 470 453	13 101 593
<b>Total Contribution to Impairment Provision</b>	<b>10 470 453</b>	<b>13 101 593</b>
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	13 470 611	12 556 107
<b>Total Depreciation and Amortisation</b>	<b>13 470 611</b>	<b>12 556 107</b>
<b>31. Finance costs</b>		
Finance leases	292 684	338 987
Post Retirement Charges	893 651	338 276
	<b>1 186 335</b>	<b>677 263</b>
<b>32. Rental of facilities and equipment</b>		
Rental of facilities	393 388	94 633
Other Rentals	24 422	24 422
<b>Total Rentals</b>	<b>417 810</b>	<b>119 055</b>
<b>33. Contracted services</b>		
Other Contractors	3 513 482	3 219 288

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>34. Bulk purchases</b>		
Electricity	6 007 940	5 804 480
<b>Total Bulk Purchases</b>	<b>6 007 940</b>	<b>5 804 480</b>
<b>35. Cash generated from operations</b>		
Surplus	18 269 991	30 479 097
<b>Adjustments for:</b>		
Depreciation and amortisation	13 470 611	12 556 107
Gain on sale of assets and liabilities	465 677	370 242
Finance costs - Finance leases	-	338 987
Debt impairment	10 470 453	13 101 593
Movements in retirement benefit assets and liabilities	1 144 636	3 822 077
Movements in provisions	(1 140 126)	6 487 942
<b>Changes in working capital:</b>		
Inventory	(41 014)	(288 523)
Receivables from exchange transactions	(1 415 614)	(7 708 503)
Consumer debtors	(10 470 453)	(13 101 593)
Other receivables from non-exchange transactions	(2 044 235)	(6 935 878)
Payables from exchange transactions	(2 804 381)	10 133 521
VAT	(185 060)	(2 485 787)
Unspent conditional grants and receipts	(3 318 810)	(7 570 477)
Consumer deposits	-	466 647
Sundry Debtor	(752 455)	-
	<b>21 649 220</b>	<b>39 665 452</b>
<b>36. Commitments</b>		
<b>Capital Commitments</b>		
<b>Commitments in respect of Capital expenditure:</b>		
Infrastructure	4 335 607	15 165 293
Community	5 755 386	451 983
Equipment	163 166	-
<b>Total</b>	<b>10 254 159</b>	<b>15 617 276</b>
<b>This expenditure will be financed from:</b>		
Government Grants	10 254 159	15 617 276
	<b>10 254 159</b>	<b>15 617 276</b>
<b>Operating Commitments</b>		
Commitments in respect of Operating expenditure:	9 127 867	17 437 426
<b>37. Contingencies</b>		
<b>Contingent Liability</b>		
See attached appendix G for more details	4 903 062	445 000
<b>38. Related parties</b>		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents		

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 39. Prior period errors

#### Correction of Error

The correction of the error(s) results in adjustments as follows:

#### Statement of Financial Position

Retention	(735 557)	-
Investment Property	(290 000)	-
Debtors Control	(20 606)	-
Staff Leave Provsion	(158 875)	-
Payables	(198 107)	-
Salary suspense	(441 751)	-
VAT	227 900	-
Insurance Claim	(50 696)	-
Cancelled cheques	16 195	-
Investments	9 520	-
Loans	(938)	-
<b>Total</b>	<b>(1 642 915)</b>	<b>-</b>

#### Statement of Financial Performance

Audit Fees	133 389	-
Interest	6 499	-
<b>Total</b>	<b>139 888</b>	<b>-</b>

### 40. Comparative figures

Certain comparative figures have been reclassified due to prior period errors, refer to note for details.

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

### 41. Risk management

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 41. Risk management (continued)

#### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

#### Non-Exchange Receivables

	2014 Percentage	2014 Amount	2013 Percentage	2013 Amount
Rates	100,00%	31 691 716	100,00%	23 852 496

#### Exchange Receivables

	2014 Percentage	2014 Amount	2013 Percentage	2013 Amount
Electricity	23,04%	6 525 833	22,73%	5 332 825
Refuse	20,14%	5 705 639	16,49%	3 869 050
Other	56,82%	16 096 793	60,78%	14 263 306
	<b>100</b>	<b>28 328 265</b>	<b>100,00%</b>	<b>23 465 181</b>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note & of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 15% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

#### Non-Exchange Receivables

	2014 Percentage	2014 Amount	2013 Percentage	2013 Amount
Rates	100,00%	22 711 602	100,00%	16 916 617

#### Exchange Receivables

	2014 Percentage	2014 Amount	2013 Percentage	2013 Amount
Electricity	19,68%	4 676 683	22,73%	3 782 135
Refuse	31,79%	7 554 788	16,49%	2 743 999
Other	48,53%	11 535 632	60,78%	10 115 792
	<b>100,00%</b>	<b>23 767 103</b>	<b>100,00%</b>	<b>16 641 926</b>

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 41. Risk management (continued)

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (NEDBANK). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

#### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

#### Foreign exchange risk

The municipality does not engage in foreign currency transactions.

#### Price risk

The municipality is not exposed to price risk.

### 42. Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening Balance	6 493 124	-
Unauthorised operating expenditure current year	19 435 372	6 493 124
Unauthorised capital expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
<b>Unauthorised expenditure awaiting authorisation</b>	<b>25 928 496</b>	<b>6 493 124</b>

### 43. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening Balance	186 140	-
Fruitless and wasteful expenditure current year	-	186 140
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
<b>Fruitless and wasteful expenditure awaiting condonement</b>	<b>186 140</b>	<b>186 140</b>



# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 44. Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	3 465 406	2 166 145
Irregular Expenditure - current year	-	1 299 261
Condonement supported by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
<b>Irregular Expenditure awaiting condonement</b>	<b>3 465 406</b>	<b>3 465 406</b>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

### 45. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government - IMFA 125 (1)(b) - SALGA Contributions

Current year subscription / fee	250 000	400 000
Amount paid - current year	(250 000)	(400 000)
	-	-

#### Audit fees

Current year subscription / fee	2 894 052	2 338 231
Amount paid - current year	(2 894 052)	(2 338 231)
	-	-

#### PAYE,SDL and UIF

Current year subscription / fee	8 566 010	6 638 543
Amount paid - current year	(8 566 010)	(6 638 543)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	6 610 196	10 456 840
Amount paid - current year	(6 610 196)	(10 456 840)
	-	-

#### VAT

VAT is claimable on the invoices basis.

VAT is claimed from SARS once an invoice has been recieved from creditors.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 45. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ML Moabela	-	881	881

  

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ML Moabela	-	881	881

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Sole provider deviations	1 241 874	416 505
Emergency deviations	-	203 423
Supplier exempted in terms of section 110(2) MFMA	-	45 843
	<b>1 241 874</b>	<b>665 771</b>

### 46. Financial Instruments

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

# Molemole Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

### 46. Financial Instruments (continued)

Financial Assets	Classification	2014	2013
<b>Investments</b>			
Fixed Deposit	Held to maturity	-	-
<b>Consumer Debtors</b>			
Trade receivables from exchange transactions	Financial instruments at amortised cost	8 027 050	6 823 255
Other receivables from exchange transactions	Financial instruments at amortised cost	16 096 793	16 696 002
Call Deposits	Financial instruments at amortised cost	25 059 684	26 911 315
<b>Bank Balances and Cash</b>			
Cash Floats and Advances	Financial instruments at amortised cost	656	3 057
<b>Summary of Financial Assets</b>		<b>- 49 184 183</b>	<b>50 433 629</b>

Financial Liability	Classification	2014	2013
<b>Long-term Liabilities</b>			
Capatilised Lease Liability	Financial instruments at amortised cost	819 060	1 195 258
<b>Trade Payables</b>			
Trade Creditors	Financial instruments at amortised cost	7 329 140	10 132 583
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	25 059 684	26 911 315
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	-	-
Capatalised Lease Liability	Financial instruments at amortised cost	376 198	260 469
<b>Summary of Financial Liability</b>		<b>- 33 584 082</b>	<b>38 499 625</b>

### 47. Events after the Reporting Date

The municipality did have any event after the reporting date.

### 48. In-kind Donations and Assistance

The municipality did not receive any in-kind donations or assistance during the year under review.

### 49. Private Public Partnerships

Council has not entered into any private public partnerships during the financial year.

### 50. Distribution Losses

Electricity Distribution Losses	621 879	1 290 674
---------------------------------	---------	-----------